

HOUSE BILL No. 1251

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-34.

Synopsis: Tax credit for tuition expenses. Provides a tax credit against state tax liability to an employer that incurs tuition expenses for a course taken by an employee at a state educational institution if the employee achieves a final grade point of at least 2.0 (or its equivalent) for the course.

Effective: January 1, 2015.

Battles

January 14, 2014, read first time and referred to Committee on Ways and Means.



PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE BILL No. 1251

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2015]:
- 4 **Chapter 34. Employer Tax Credit for Tuition Expenses**
- 5 **Sec. 1. This chapter applies only to taxable years beginning after**
- 6 **December 31, 2014.**
- 7 **Sec. 2. As used in this chapter, "employer" means an entity that**
- 8 **has employees, including:**
- 9 **(1) an individual acting as a sole proprietor;**
- 10 **(2) a pass through entity; and**
- 11 **(3) a corporation.**
- 12 **Sec. 3. As used in this chapter, "pass through entity" means:**
- 13 **(1) a corporation that is exempt from the adjusted gross**
- 14 **income tax under IC 6-3-2-2.8(2);**
- 15 **(2) a partnership;**
- 16 **(3) a limited liability company; or**



(4) a limited liability partnership.

Sec. 4. As used in this chapter, "state educational institution" has the meaning set forth in IC 21-7-13-32.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

(2) IC 6-5.5 (the financial institutions tax); and

(3) IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 6. As used in this chapter, "taxpayer" means a person, corporation, partnership, or other entity that has any state tax liability.

Sec. 7. As used in this chapter, "tuition" includes required books, course supplies, and course fees.

Sec. 8. (a) Each taxable year, subject to subsection (b), an employer that incurs tuition expenses for an employee who attends a state educational institution during the taxable year is entitled to a credit against state tax liability for the amount of tuition expenses incurred during the taxable year for a course in which the employee achieves a final grade of at least:

(1) 2.0, if a 4.0 grading scale is used; or

(2) a grade equivalent to the grade specified in subdivision (1), if another grading scale is used.

(b) The credit provided by subsection (a) is not allowed for tuition expenses to the extent a taxpayer has claimed a deduction from the taxpayer's federal gross income for the tuition expenses in determining the taxpayer's Indiana adjusted gross income.

Sec. 9. An employer that claims the credit provided by this chapter shall keep the following records for each tuition payment the employer makes for a course taken by an employee at a state educational institution:

(1) The name of the employee.

(2) The state educational institution at which the course was taken.

(3) The name of the course.

(4) The academic semester or other period in which the course was taken.

(5) The amount of the tuition payment.

(6) The employee's final grade in the course.

(7) Any other reasonable information required by the



department.

Sec. 10. If a pass through entity does not have state tax liability for a taxable year but is otherwise entitled to the tax credit provided by this chapter, each shareholder, partner, or member of the pass through entity is entitled to a share of the tax credit equal to:

(1) the amount of the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 11. (a) If the credit provided by this chapter exceeds a taxpayer's state tax liability for the taxable year for which the credit is first claimed, the excess may be carried forward to succeeding taxable years and used as a credit against the taxpayer's state tax liability during those taxable years. Each time the credit is carried forward to a succeeding taxable year, the credit is to be reduced by the amount that was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for not more than five (5) taxable years following the first year for which the credit is claimed.

(b) A taxpayer is not entitled to a carryback or refund of any unused credit under this chapter.

Sec. 12. To receive the tax credit under this chapter, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department.

